

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
1987 LEGISLATION - INSURANCE

BULLETIN 87-3
Issued this 2nd day
of July, 1987

TO: All Insurers Licensed to write any of
the Property/Casualty Lines of Insurance

Included and made a part of this Bulletin are the following:

- Most of those sections of the 1987 Omnibus Insurance Act (Chapter 3337) which affect companies writing Property/Casualty policies.
- Most of those sections of the 1987 Omnibus Insurance Act (Chapter 337) which affect all companies.
- Duplication of Chapter 92 of the Laws of MN 1987.
- Duplication of S.F. 80 of the Laws of MN 1987.
- Duplication of House File 1304 of the Laws of MN

In addition, Sections 4 and 99 of the Omnibus Insurance Act have not been reproduced. They were long, but the changes were not extensive and; therefore, we will merely comment on the changes.

Section 4: Agents pre-licensing Education cannot be conducted by an insurance company. Exempts rental vehicle company employees who sell vehicle personal accident insurance from licensing under certain conditions.

Section 99. Amends MN Stat. 65B.15 so as to prohibit cancellation of a motor vehicle policy because of a household members driving record if the household member has his or/her own insurance.

Two other laws of importance are Chapter 269 (Laws of MN 1987) and Chapter 64 (Laws of MN 1987). Chapter 269 redefines motorcycle to include motorized bicycles. Effective June 1, 1987, motorized bicycles are required to carry the same insurance coverage as is mandated for motorcycles (BI and PD 30/60/10) Chapter 64 amends 72A.20, Subd. 12a and 72B.091, Subd. 2. The amendments make it an unfair trade practice for an insurer to require replacement with parts other than original equipment parts.

Do not construe this Bulletin as a complete explanation of all 1987 legislative changes. It is intended to call your attention to the fact that important changes have been made and many of these changes will require rate and/or form filings. For example, the following Sections of Chapter 337, may require such filings:

Sec. 24	Sec. 92	Sec. 104
Sec. 25	Sec. 99	Sec. 106
Sec. 89	Sec. 100*	Sec. 107
Sec. 91	Sec. 103	Sec. 108

* We interpret Section 100 as requiring filing of the application form used in the writing of private passenger motor vehicle insurance.

Section 132 of the Omnibus Insurance Act gives the effective date of each section.

Further we urge you to get a copy of the entire Act and of all laws affecting you or your operations.


Michael A. Hatch
Commissioner of Commerce

GENERAL

Sec. 5. Minnesota Statutes 1986, section 60A.17, subdivision 2c, is amended to read:

Subd. 2c. [MANDATORY TEMPORARY LICENSES.] The commissioner shall may grant a temporary insurance agent's license to a person who has submitted an application for a resident license which is accepted by the commissioner and who has successfully completed the examination, if any, required by the commissioner. The temporary license shall may be granted no later than as of the date upon which the applicant receives written notice from the commissioner that the application for resident license has been accepted by the commissioner and that the person has passed any required examination. A temporary license will permit the applicant to act as an insurance agent for the original appointing insurer for the class of business specified therein until the earlier of (a) receipt by the applicant of the resident license, or (b) the expiration of 90 days from the date on which the temporary license was granted.

Sec. 6. Minnesota Statutes 1986, section 60A.17, subdivision 11, is amended to read:

Subd. 11. [LIFE COMPANY AGENTS INSURER'S AGENT.] Any person who shall ~~accept an application for~~ solicits insurance upon the life of another shall, in any controversy between the assured or the assured's beneficiary and the company issuing any policy upon such application, be regarded as is the agent of the company insurer and not the agent of the assured insured.

Sec. 8. Minnesota Statutes 1986, section 60A.1701, subdivision 5, is amended to read:

Subd. 5. [POWERS OF THE ADVISORY TASK FORCE.] (a) Applications for ~~accreditation of each course~~ and for approval of individuals responsible for monitoring course offerings must be submitted to the commissioner on forms prescribed by the commissioner and must be accompanied by a fee of not more than \$50 payable to the state of Minnesota for deposit in the general fund. A fee of \$5 for each hour or fraction of one hour of course approval sought must be forwarded with the application for course approval. If the advisory task force is created, it shall make recommendations to the commissioner regarding the accreditation of courses sponsored by institutions, both public and private, which satisfy the criteria established by this section, the number of credit hours to be assigned to the courses, and rules which may be promulgated by the commissioner. The advisory task force shall seek out and encourage the presentation of courses.

(b) If the advisory task force is created, it shall make recommendations and provide subsequent evaluations to the commissioner regarding procedures for reporting compliance with

the minimum education requirement.

Sec. 9. Minnesota Statutes 1986, section 60A.1701, subdivision 7, is amended to read:

Subd. 7. [CRITERIA FOR COURSE ACCREDITATION.] (a) The commissioner may accredit a course only to the extent it is designed to impart substantive and procedural knowledge of the insurance field. The burden of demonstrating that the course satisfies this requirement is on the individual or organization seeking accreditation. The commissioner shall approve any educational program approved by Minnesota Continuing Legal Education relating to the insurance field.

(b) The commissioner may not accredit a course:

(1) that is designed to prepare students for a license examination;

(2) in mechanical office or business skills, including typing, speedreading, use of calculators, or other machines or equipment;

(3) in sales promotion, including meetings held in conjunction with the general business of the licensed agent; or

(4) in motivation, the art of selling, psychology, or time management;

(5) unless the student attends classroom instruction conducted by an instructor approved by the department of commerce; or

(6) which can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the department of commerce.

Sec. 10. Minnesota Statutes 1986, section 60A.1701, subdivision 8, is amended to read:

Subd. 8. [MINIMUM EDUCATION REQUIREMENT.] Each person subject to this section shall complete annually a minimum of 20 credit hours of courses accredited by the commissioner. Any person teaching or lecturing at an accredited course qualifies for 1-1/2 times the number of credit hours that would be granted to a person completing the accredited course. ~~Credit-hours-over-29-earned-in-any-one-year-may-be-earried-forward-for-the-following-two-years---The-commissioner-may-recognize-accredited-courses-completed-in-1999,-1994,-or-1995-for-the-minimum-education-requirement-for-1995;~~ No more than ten credit hours per year may be credited to a person for courses sponsored by, offered by, or affiliated with an insurance company or its agents. Courses sponsored by, offered by, or affiliated with an insurance company or agent may restrict its students to agents

of the company or agency.

Sec. 11. Minnesota Statutes 1986, section 60A.196, is amended to read:

60A.196 [DEFINITIONS.]

Unless the context otherwise requires, the following terms have the meanings given them for the purposes of sections 60A.195 to 60A.209:

(a) "Surplus lines insurance" means insurance placed with an insurer permitted to transact the business of insurance in this state only pursuant to sections 60A.195 to 60A.209.

(b) "Eligible surplus lines insurer" means an insurer recognized as eligible to write insurance business under sections 60A.195 to 60A.209 but not licensed by any other Minnesota law to transact the business of insurance.

(c) "Ineligible surplus lines insurer" means an insurer not recognized as an eligible surplus lines insurer pursuant to sections 60A.195 to 60A.209 and not licensed by any other Minnesota law to transact the business of insurance. "Ineligible surplus lines insurer" includes a risk retention group as defined under the Liability Risk Retention Act, Public Law Number 99-563.

(d) "Surplus lines licensee" or "licensee" means a person licensed under sections 60A.195 to 60A.209 to place insurance with an eligible or ineligible surplus lines insurer.

(e) "Association" means an association registered under section 60A.208.

(f) "Alien insurer" means any insurer which is incorporated or otherwise organized outside of the United States.

(g) "Insurance laws" means chapters 60 to 79 inclusive.

Sec. 12. Minnesota Statutes 1986, section 60A.198, subdivision 3, is amended to read:

Subd. 3. [PROCEDURE FOR OBTAINING LICENSE.] A person licensed as a ~~resident~~ an agent in this state pursuant to other law may obtain a surplus lines license by doing the following:

(a) filing an application in the form and with the information the commissioner may reasonably require to determine the ability of the applicant to act in accordance with sections 60A.195 to 60A.209;

(b) maintaining a ~~resident-agent~~ an agent's license in this state;

(c) delivering to the commissioner a financial guarantee bond from a surety acceptable to the commissioner for the greater of the following:

(1) \$5,000; or

(2) the largest semiannual surplus lines premium tax liability incurred by the applicant in the immediately preceding five years; and

(d) agreeing to file with the commissioner of revenue no later than February 15 and August 15 annually, a sworn statement of the charges for insurance procured or placed and the amounts returned on the insurance canceled under the license for the preceding six-month period ending December 31 and June 30 respectively, and at the time of the filing of this statement, paying the commissioner a tax on premiums equal to three percent of the total written premiums less cancellations; and

(e) annually paying a fee as prescribed by section 60A.14, subdivision 1, paragraph (c), clause (11).

Sec. 14. Minnesota Statutes 1986, section 60A.23, subdivision 8, is amended to read:

Subd. 8, [SELF-INSURANCE OR INSURANCE PLAN ADMINISTRATORS, WHO ARE VENDORS OF RISK MANAGEMENT SERVICES.] (1) [SCOPE.] This subdivision applies to any vendor of risk management services and to any entity which administers, for compensation, a self-insurance or insurance plan. This subdivision does not apply (a) to an insurance company authorized to transact insurance in this state, as defined by section 60A.06, subdivision 1, clauses (4) and (5); (b) to a service plan corporation, as defined by section 62C.02, subdivision 6; (c) to a health maintenance organization, as defined by section 62D.02, subdivision 4; (d) to an employer directly operating a self-insurance plan for its employees' benefits; or (e) to an entity which administers a program of health benefits established pursuant to a collective bargaining agreement between an employer, or group or association of employers, and a union or unions.

(2) [DEFINITIONS.] For purposes of this subdivision the following terms have the meanings given them.

(a) "Administering a self-insurance or insurance plan" means (i) processing, reviewing or paying claims, (ii) establishing or operating funds and accounts, or (iii) otherwise providing necessary administrative services in connection with the operation of a self-insurance or insurance plan.

(b) "Employer" means an employer, as defined by section 62E.02, subdivision 2.

(c) "Entity" means any association, corporation, partnership, sole proprietorship, trust, or other business entity engaged in or transacting business in this state.

(d) "Self-insurance or insurance plan" means a plan providing life, medical or hospital care, accident, sickness or disability insurance, as an employee fringe benefit, or a plan providing liability coverage for any other risk or hazard, which is or is not directly insured or provided by a licensed insurer, service plan corporation, or health maintenance organization.

(e) "Vendor of risk management services" means an entity providing for compensation actuarial, financial management, accounting, legal or other services for the purpose of designing and establishing a self-insurance or insurance plan for an employer.

(3) [LICENSE.] No vendor of risk management services or entity administering a self-insurance or insurance plan may transact this business in this state unless it is licensed to do so by the commissioner. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license may be granted only when the commissioner is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner may issue a license subject to restrictions or limitations upon the authorization, including the type of services which may be supplied or the activities which may be engaged in. The license fee is \$100. All licenses are for a period of two years.

(4) [REGULATORY RESTRICTIONS; POWERS OF THE COMMISSIONER.] To assure that self-insurance or insurance plans are financially solvent, are administered in a fair and equitable fashion, and are processing claims and paying benefits in a prompt, fair, and honest manner, vendors of risk management services and entities administering insurance or self-insurance plans are subject to the supervision and examination by the commissioner. Vendors of risk management services, entities administering insurance or self-insurance plans, and insurance or self-insurance plans established or operated by them are subject to the trade practice requirements of sections 72A.19 to 72A.30.

(5) [RULE MAKING AUTHORITY,] To carry out the purposes of this subdivision, the commissioner may adopt rules, including emergency rules, pursuant to sections 14.01 to ~~14.79~~ 14.69. These rules may:

(a) establish reporting requirements for administrators of insurance or self-insurance plans;

(b) establish standards and guidelines to assure the adequacy of financing, reinsuring, and administration of

insurance or self-insurance plans;

(c) establish bonding requirements or other provisions assuring the financial integrity of entities administering insurance or self-insurance plans; or

(d) establish other reasonable requirements to further the purposes of this subdivision.

Sec. 115. [72A.125] [RENTAL VEHICLE PERSONAL ACCIDENT INSURANCE; SPECIAL REQUIREMENTS.]

Subdivision 1. [DEFINITION.] (a) "Auto rental company" means a corporation, partnership, individual, or other person that is engaged primarily in the renting of motor vehicles at per diem rates.

(b) "Rental vehicle personal accident insurance" means accident only insurance providing accidental death benefits, dismemberment benefits and/or reimbursement for medical expenses which is issued by an insurer authorized in this state to issue accident and health insurance. These coverages are nonqualified plans under chapter 62E.

Subd. 2. [SALE BY AUTO RENTAL COMPANIES.] An auto rental company that offers or sells rental vehicle personal accident insurance in this state in conjunction with the rental of a vehicle shall only sell these products if the forms and rates have met the relevant requirements of section 62A.02, taking into account the possible infrequency and severity of loss that may be incurred. Sections 60A.17 and 60A.1701 do not apply if the persons engaged in the sale of these products are employees of the auto rental company who do not receive commissions or other remuneration for selling the product in addition to their regular compensation. Compensation may not be determined in any part by the sale of insurance products. The auto rental company before engaging in the sale of the product must file with the commissioner the following documents:

(1) an appointment of the commissioner as agent for service of process;

(2) an agreement that the auto rental company assumes all responsibility for the authorized actions of all unlicensed employees who sell the insurance product on its behalf in conjunction with the rental of its vehicles;

(3) an agreement that the auto rental company with respect to itself and its employees will be subject to this chapter regarding the marketing of the insurance products and the conduct of those persons involved in the sale of insurance products in the same manner as if it were a licensed agent.

An auto rental company failing to file the documents in

clauses (1) to (3) is guilty of an individual violation as to the unlicensed sale of insurance for each sale that occurs after the effective date of this section until they make the required filings. Each individual sale after the effective date of this section and prior to the filing required by this section is subject to, in addition to any other penalties allowable by law, up to a \$100 per violation fine. Further, the sale of the insurance product by an auto rental company or any employee or agent of the company after the effective date of this section without having complied with this section shall be deemed to be in acceptance of the provisions of this section.

Insurance sold pursuant to this subdivision must be limited in availability to rental vehicle customers though coverage may extend to the customer, other drivers, and passengers using or riding in the rented vehicles; and limited in duration to a period equal to and concurrent with that of the vehicle rental.

Persons purchasing rental vehicle personal accident insurance may be provided a certificate summarizing the policy provisions in lieu of a copy of the policy if a copy of the policy is available for inspection at the place of sale and a free copy of the policy may be obtained from the auto rental company's home office.

The commissioner may, after a hearing, revoke an auto rental company's right to operate under this section if the company has repeatedly violated the insurance laws of this state and the revocation is in the public interest.

Sec. 116. Minnesota Statutes 1986, section 72A.20, subdivision 11, is amended to read:

Subd. 11. [APPLICATION TO CERTAIN SECTIONS.] Violating any provision of the following sections of this chapter not set forth in ~~subdivisions 1 to 15~~ this section shall constitute an unfair method of competition and an unfair and deceptive act or practice: sections 72A.12, subdivisions 2, 3, and 4, 72A.16, subdivision 2, 72A.03 and 72A.04, 72A.08, subdivision 1 as modified by section 72A.08, subdivision 4, and 65B.13.

Sec. 117. Minnesota Statutes 1986, section 72A.20, subdivision 17, is amended to read:

Subd. 17. [RETURN OF PREMIUMS UPON-DEATH-OF-INSURED.] (a) Refusing, upon surrender of an individual policy of life insurance, to refund to the estate of the insured all unearned premiums paid on the policy covering the insured as of the time of the insured's death if the unearned premium is for a period of more than one month.

The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.

For the purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss.

(b) Refusing, upon termination or cancellation of a policy of automobile insurance under section 65B.14, subdivision 2, or a policy of homeowner's insurance under section 65A.27, subdivision 4, or a policy of accident and sickness insurance under section 62A.01, or a policy of comprehensive health insurance under chapter 62E, to refund to the insured all unearned premiums paid on the policy covering the insured as of the time of the termination or cancellation if the unearned premium is for a period of more than one month.

The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.

For purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss.

Sec. 118. Minnesota Statutes 1986, section 72A.20, is amended by adding a subdivision to read:

Subd. 18. [IMPROPER BUSINESS PRACTICES.] (a) Improperly withholding, misappropriating, or converting any money belonging to a policyholder, beneficiary, or other person when received in the course of the insurance business; or (b) engaging in fraudulent, coercive, or dishonest practices in connection with the insurance business, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

Sec. 128. [RULE CHANGES.]

The commissioner shall adopt rule amendments to Minnesota Rules, chapter 2725, as necessary to effect the changes required by the legislature in sections 8 to 10.

These rules are exempt from the rulemaking provisions of chapter 14. The commissioner must comply with section 14.38, subdivision 7, when adopting these rule amendments.

Sec. 130. [SEVERABILITY.]

The provisions of Minnesota Statutes, section 645.20 apply to this act.

Sec. 131. [REPEALER.]

Minnesota Statutes 1986, sections 62A.12; and 67A.43, subdivision 3, are repealed.

Minnesota Rules, parts 2700.2400; 2700.2410; 2700.2420; 2700.2430; and 2700.2440, are repealed.

Section 123 is repealed effective July 1, 1988, if the project implementation phase has not begun by that date.

Sec. 132. [EFFECTIVE DATE.]

Section 10 is effective May 31, 1987. Credits earned and reported to the department before May 31, 1988, may be carried forward and used to fulfill continuing education requirements until May 31, 1989.

Sections 2, 5, 6, 15 to 20, 43, 57 to 63, 69 to 75, 77, 81, 82, 87, 102, 116, and 122 to 125 are effective the day following final enactment.

Section 126 is effective August 1, 1987, and applies to claims arising from incidents occurring on or after that date.

PROPERTY CASUALTY

Sec. 21, Minnesota Statutes 1986, section 60A.30, is amended to read:

60A.30 [RENEWAL OF INSURANCE POLICY WITH ALTERED RATES.]

If an insurance company licensed to do business in this state offers or purports to offer to renew any commercial liability and/or property insurance policy at less favorable terms as to the dollar amount of coverage or deductibles, higher rates, and/or higher rating plan, the new terms, the new rates and/or rating plan may take effect on the renewal date of the policy if the insurer has sent to the policyholder notice of the new terms, new rates and/or rating plan at least 99 60 days prior to the expiration date. If the insurer has not so notified the policyholder, the policyholder may elect to cancel the renewal policy within the 99-day 60-day period after receipt of the notice. Earned premium for the period of coverage, if any, shall be calculated pro rata upon the prior rate. This subdivision does not apply to ocean marine insurance, accident and health insurance, and reinsurance.

This section does not apply if the change relates to guide "a" rates or excess rates also known as "consent to rates."

Sec. 22. Minnesota Statutes 1986, section 60A.31, is amended to read:

60A.31 [MIDTERM-CANCELLATION WORKER'S COMPENSATION INSURANCE.]

In addition to the requirements of Minnesota Statutes 1984, section 176.185, subdivision 1, no a policy of insurance issued to cover the liability to pay compensation under Minnesota

Statutes 1984, chapter 176, shall be amended by the insurer within the policy period unless the insurer has also complied with the requirements of such rules as the commissioner of commerce may adopt in regard to the amendment of commercial liability and/or commercial property insurance policies comply with sections 60A.30 and 60A.35 to 60A.38.

Sec. 23. [60A.35] [SCOPE.]

Except as specifically limited in section 60A.30, sections 23 to 26 apply to all commercial liability and/or property insurance policies issued by companies licensed to do business in this state except ocean marine insurance, accident and health insurance, excess insurance, surplus lines insurance, and reinsurance.

Sec. 24. [60A.36] [MIDTERM CANCELLATION.]

Subdivision 1. [REASON FOR CANCELLATION.] No insurer may cancel a policy of commercial liability and/or property insurance during the term of the policy, except for one or more of the following reasons:

- (1) nonpayment of premium;
- (2) misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim under the policy;
- (3) actions by the insured that have substantially increased or substantially changed the risk insured;
- (4) refusal of the insured to eliminate known conditions that increase the potential for loss after notification by the insurer that the condition must be removed;
- (5) substantial change in the risk assumed, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract;
- (6) loss of reinsurance by the insurer which provided coverage to the insured for a significant amount of the underlying risk insured. A notice of cancellation under this clause shall advise the policyholder that the policyholder has ten days from the date of receipt of the notice to appeal the cancellation to the commissioner of commerce and that the commissioner will render a decision as to whether the cancellation is justified because of the loss of reinsurance within five business days after receipt of the appeal;
- (7) a determination by the commissioner that the continuation of the policy could place the insurer in violation of the insurance laws of this state; or

(8) nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance. This provision for cancellation for failure to pay dues does not apply to persons who are retired at 62 years of age or older or who are disabled according to social security standards.

Subd. 2. [NOTICE.] Cancellation under subdivision 1, clauses (2) to (8), shall not be effective before 60 days after notice to the policyholder. The notice of cancellation shall contain a specific reason for cancellation as provided in subdivision 1.

A policy shall not be canceled for nonpayment of premium pursuant to subdivision 1, clause (1), unless the insurer, at least ten days before the effective cancellation date, has given notice to the policyholder of the amount of premium due and the due date. The notice shall state the effect of nonpayment by the due date. No cancellation for nonpayment of premium shall be effective if payment of the amount due is made before the effective date in the notice.

Subd. 3. [NEW POLICIES.] Subdivisions 1 and 2 do not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 90 days at the time the notice of cancellation is mailed or delivered. No cancellation under this subdivision is effective until at least ten days after the written notice to the policyholder.

Subd. 4. [LONGER TERM POLICIES.] A policy may be issued for a term longer than one year or for an indefinite term with a clause providing for cancellation by the insurer for the reasons stated in subdivision 1 by giving notice as required by subdivision 2 at least 60 days before any anniversary date.

Sec. 25. [60A.37] [NONRENEWAL.]

Subdivision 1. [NOTICE REQUIRED.] At least 60 days before the date of expiration provided in the policy, a notice of intention not to renew the policy beyond the agreed expiration date must be made to the policyholder by the insurer. If the notice is not given at least 60 days before the date of expiration provided in the policy, the policy shall continue in force until 60 days after a notice of intent not to renew is received by the policyholder.

Subd. 2. [EXCEPTIONS.] This section does not apply if the policyholder has insured elsewhere, has accepted replacement coverage, or has requested or agreed to nonrenewal.

Sec. 26. [60A.38] [INTERPRETATION AND PENALTIES.]

Subdivision 1. [SECTIONS NOT EXCLUSIVE.] Sections 23 to 26

are not exclusive, and the commissioner may also consider other provisions of Minnesota law to be applicable to the circumstances or situations addressed by sections 23 to 26. The rights provided by sections 23 to 26 are in addition to and do not prejudice any other rights the policyholder may have at common law, under statute, or rules.

Subd. 2. [PENALTIES.] A violation of any provisions of sections 23 to 26 shall be deemed to be an unfair trade practice in the business of insurance and shall subject the violator to the penalties provided by sections 72A.17 to 72A.32 in addition to any other penalty provided by law.

Subd. 3. [NOTICES REQUIRED.] All notices required by sections 23 to 26 shall only be made by first class mail addressed to the policyholder's last known address or by delivery to the policyholder's last known address. Notice by first class mail is effective upon deposit in the United States mail. In addition to giving notice to the policyholder, the insurer must also give notice to the agent of record, if any, in the manner specified for the policyholder.

Sec. 89. Minnesota Statutes 1986, section 65A.01, subdivision 3a, is amended to read:

Subd. 3a. [CANCELLATION.] (1) There shall be printed in the policy or an endorsement attached to the policy a printed form in the following words:

When this policy has been issued to cover buildings used for residential purposes other than a hotel or motel and has been in effect for at least six-months 60 days, or if it has been renewed, this policy shall not be canceled, except for one or more of the following reasons which shall be stated in the notice of cancellation:

- (a) Nonpayment of premium;
- (b) Misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim thereunder;
- (c) An act or omission of the insured which materially increases the risk originally accepted;
- (d) Physical changes in the insured property which are not corrected or restored within a reasonable time after they occur and which result in the property becoming uninsurable; or
- (e) Nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance.

Provided, however, that this limitation on cancellation shall not apply to additional coverages in a divisible policy, other than a policy of fire and extended coverage insurance. If this company cancels the additional coverages, it may issue a new, separate fire policy at a premium calculated on a pro rata basis for the remaining period of the original policy.

(2) The provisions of clause (1)(e) shall not be included in the language of the policy or endorsement unless the payment of dues to an association or organization, other than an insurance association or organization, is a prerequisite to obtaining or continuing the insurance.

Sec. 90. Minnesota Statutes 1986, section 65A.03, subdivision 1, is amended to read:

65A.03 [BINDERS, TEMPORARY INSURANCE.]

Subdivision 1. [GENERALLY.] Binders or other contracts for temporary insurance may be made orally or in writing, and shall be deemed to include all the terms of such standard fire insurance policy and all such applicable endorsements as may be designated in such contract of temporary insurance; except that the cancellation clause of such standard fire insurance policy and the clause specifying the hour of the day at which the insurance shall commence, may be superseded by the express terms of such contract of temporary insurance.

Sec. 91. Minnesota Statutes 1986, section 65A.10, is amended to read:

65A.10 [LIMITATION.]

Nothing contained in sections 65A.08 and 65A.09 shall be construed to preclude insurance against the cost, in excess of actual cash value at the time any loss or damage occurs, of actually repairing, rebuilding or replacing the insured property. Subject to any applicable policy limits, where an insurer offers replacement cost insurance, the insurance must cover the cost of replacing, rebuilding, or repairing any loss or damaged property in accordance with the minimum code as required by state or local authorities. In the case of a partial loss, unless more extensive coverage is otherwise specified in the policy, this coverage applies only to the damaged portion of the property.

Sec. 92. Minnesota Statutes 1986, section 65A.29, is amended by adding a subdivision to read:

Subd. 10. [RETURN OF UNEARNED PREMIUM.] Cancellation of a policy of homeowner's insurance pursuant to this section is not effective unless any unearned premium due the insured is returned to the insured with the notice of cancellation or is delivered or sent by mail to the insured so as to be received by

the insured not later than the effective date of cancellation. If the premium has been paid by the insured's agent and debited to the agent's account with the company, upon cancellation, the unearned premium must be credited to the agent's account with the company.

Sec. 98. Minnesota Statutes 1986, section 65B.1311, is amended to read:

65B.1311 [COVERAGE FOR FORMER SPOUSE.]

Subdivision 1. [NEW POLICY ISSUED.] ~~if the former spouse of a named insured under a policy of private passenger vehicle insurance applies within 69 days of entry of a valid decree of dissolution of the marriage and the former spouse was an insured driver under the policy for at least 12 months prior to entry of the decree, the insurer must issue a policy, upon payment of the appropriate premium, to the former spouse only on the basis of the driving record applicable to the former spouse and any person who is to be an insured, as defined in section 65B.43, under the policy to be issued, provided the person or persons to be insured meets the insurer's eligibility standards~~ An insurer must issue a policy of private passenger insurance to the former spouse of a named insured, within the provisions of subdivision 2 of this section, if the following conditions are met:

(1) the former spouse has been an insured driver under the former policy for at least the six months immediately preceding the entry of a valid decree of dissolution of marriage;

(2) the former spouse makes application for a policy before the end of the policy period or within 60 days after the entry of the decree of dissolution of marriage, whichever is later;

(3) the appropriate premium is paid; and

(4) the former spouse and any person or persons who are to be an insured, as defined in section 65B.43, meets the insurer's eligibility standards for renewal policies.

Subd. 2. [NAMED INSURED.] A named insured under a policy of private passenger vehicle insurance shall have the premium determined at the first and any subsequent renewals of the policy after entry of a valid decree of dissolution of the marriage of the named insured only on the basis of the driving record and rating classification applicable to the named insured and any person who is to be an insured, as defined in section 65B.43, under the policy to be renewed.

Sec. 100, Minnesota Statutes 1986, section 638.16, is amended to read:

65B.16 [STATEMENT OF REASONS FOR CANCELLATION OR REDUCTION.]

No notice of cancellation or reduction in the limits of liability of coverage of an automobile insurance policy under section 65B.15 shall be effective unless the specific underwriting or other reason or reasons for such cancellation or reduction in the limits of liability of coverage are stated in such notice and the notice is mailed or delivered by the insurer to the named insured at least 30 days prior to the effective date of cancellation; provided, however, that when nonpayment of premium is the reason for cancellation or when the company is exercising its right to cancel insurance which has been in effect for less than 60 days at least ten days notice of cancellation, and the reasons for the cancellation, shall be given. Information regarding moving traffic violations or motor vehicle accidents must be specifically requested on the application in order for a company to use those incidents to exercise its right to cancel within the first 59 days of coverage. When nonpayment of premiums is the reason for cancellation, the reason must be given to the insured with the notice of cancellation; and if the company is exercising its right to cancel within the first 59 days of coverage and notice is given with less than ten days remaining in the 59-day period, the coverage must be extended, to expire ten days after notice was mailed.

Sec. 101. [65B.162] [NOTICE OF POSSIBLE CANCELLATION.]

A written notice shall be provided to all applicants for private passenger insurance, at the time the application is submitted, containing the following language in bold print:
"THE INSURER MAY ELECT TO CANCEL COVERAGE AT ANY TIME DURING THE FIRST 59 DAYS FOLLOWING ISSUANCE OF THE COVERAGE FOR ANY REASON WHICH IS NOT SPECIFICALLY PROHIBITED BY STATUTE."

Sec. 102. Minnesota Statutes 1986, section 65B.21, subdivision 2, is amended to read:

Subd. 2. Upon receipt of a written objection pursuant to the provisions herein, the commissioner shall ~~shall~~ may notify the insurer of receipt of such objection and of the right of the insurer to file a written response thereto within ten days of receipt of such notification. The commissioner may also order an investigation of the objection or complaint, the submission of additional information by the insured or the insurer about the action by the insurer or the objections of the insured, or such other procedure as the commissioner deems appropriate or necessary. Within 23 days of receipt of such written objection by an insured the commissioner shall approve or disapprove the insurer's action and shall notify the insured and insurer of the final decision. Either party may institute proceedings for judicial review of the commissioner's decision; provided, however, that the commissioner's final decision shall be binding pending judicial review.

Sec. 103. Minnesota Statutes 1986, section 65B.28, is

amended to read:

65B.28 [ACCIDENT PREVENTION COURSE PREMIUM REDUCTIONS.]

Subdivision 1. [REQUIRED REDUCTION.] An insurer must provide an appropriate premium reduction of at least ten percent on its policies of private passenger vehicle insurance, as defined in section 65B.001, subdivision 2, issued, delivered, or renewed in this state after January 1, 1985, to insureds 65 55 years old and older who successfully complete an accident prevention course established under subdivision 2,

Subd. 2. [ACCIDENT PREVENTION COURSE; RULES.] The commissioner of public safety shall, by January 1, 1985, adopt rules establishing and regulating a motor vehicle accident prevention course for persons 65 55 years old and older. The rules must, at a minimum, include provisions:

- (1) establishing curriculum requirements;
- (2) establishing the number of hours required for successful completion of the course;
- (3) providing for the issuance of a course completion certification and requiring its submission to an insured as evidence of completion of the course; and
- (4) requiring persons 65 55 years old and older to retake the course every three years to remain eligible for a premium reduction.

Sec. 104. Minnesota Statutes 1986, section 65B.46, is amended to read:

65B.46 [RIGHT TO BENEFITS.]

Subdivision 1. If the accident causing injury occurs in this state, every person suffering loss from injury arising out of maintenance or use of a motor vehicle or as a result of being struck as a pedestrian by a motorcycle has a right to basic economic loss benefits.

Subd. 2. If the accident causing injury occurs outside this state in the United States, United States possessions, or Canada, the following persons and their surviving dependents suffering loss from injury arising out of maintenance or use of a motor vehicle or as a result of being struck as a pedestrian by a motorcycle have a right to basic economic loss benefits:

- (1) Insureds, and
- (2) the driver and other occupants of a secured vehicle, other than (a) a vehicle which is regularly used in the course of the business of transporting persons or property and which is

one of five or more vehicles under common ownership, or (b) a vehicle owned by a government other than this state, its political subdivisions, municipal corporations, or public agencies. The reparation obligor may, if the policy expressly states, extend the basic economic loss benefits to any stated area beyond the limits of the United States, United States possessions and Canada.

Subd. 3. For the purposes of sections 65B.41 to 65B.71, injuries suffered by a person while on, mounting or alighting from a motorcycle do not arise out of the maintenance or use of a motor vehicle although a motor vehicle is involved in the accident causing the injury.

Sec. 105. Minnesota Statutes 1986, section 65B.48, subdivision 1, is amended to read:

Subdivision 1. Every owner of a motor vehicle of a type which is required to be registered or licensed or is principally garaged in this state shall maintain during the period in which operation or use is contemplated a plan of reparation security under provisions approved by the commissioner, insuring against loss resulting from liability imposed by law for injury and property damage sustained by any person arising out of the ownership, maintenance, operation or use of the vehicle. The plan of reparation security shall provide for basic economic loss benefits and residual liability coverage in amounts not less than those specified in section 65B.49, subdivision 3, clauses (1) and (2). The nonresident owner of a motor vehicle which is not required to be registered or licensed, or which is not principally garaged in this state, shall maintain such security in effect continuously throughout the period of the operation, maintenance or use of such motor vehicle within this state with respect to accidents occurring in this state; such security shall include coverage for property damage to a motor vehicle rented or leased within this state by a nonresident.

Sec. 106. Minnesota Statutes 1986, section 65B.49, is amended by adding a subdivision to read:

Subd. 5a. [RENTAL VEHICLES.] (a) No plan of reparation security may be issued or renewed after August 1, 1987, unless the plan provides that all coverages under the plan are extended to any motor vehicle while being rented by the named insured. The plan must also provide that all or any part of the obligation of the named insured for property damage to a rented vehicle would be covered by the collision or comprehensive portion of the plan. The plan must provide that any deductible will not apply to claims that arise while a motor vehicle is being rented by a named insured.

(b) A vehicle is rented for purposes of this subdivision if the rate for the use of the vehicle is determined on a weekly or daily basis. A vehicle is not rented for purposes of this

subdivision if the rate for the vehicle's use is determined on a monthly or longer period or the vehicle is rented principally for business purposes.

(c) The policy or certificate issued by the plan must inform the insured of the application of the plan to rental vehicles and that the insured may not need to purchase additional coverage from the rental company.

(d) Where an insured has two or more plans of reparation security containing the rented motor vehicle coverage required under paragraph (a), claims must be made against the plan covering the motor vehicle most often driven by the insured.

(e) A notice advising the insured of rental vehicle coverage must be given to each current insured with the first renewal notice after January 1, 1988. The notice must be approved by the commissioner of commerce. The commissioner may specify the form of the notice. A form approved by the commissioner must be reasonably calculated to put the insured on notice of the coverage.

(f) When a motor vehicle is rented or leased in this state, the rental contract must contain a written notice in at least ten-point bold type, if printed, or in capital letters, if typewritten, which states:

Under Minnesota law, a personal automobile insurance policy issued in Minnesota must cover the rental of a motor vehicle unless the rental is principally for business use or rented on a monthly or longer basis. Therefore, purchase of any collision damage waiver or other insurance affected in this rental contract may not be necessary if your policy was issued in Minnesota.

No collision damage waiver or other insurance offered as part of or in conjunction with a rental of a motor vehicle may be sold unless the person renting the vehicle provides a written acknowledgment that the above consumer protection notice has been read and understood.

Sec. 107. [65B.491] (SENIOR CITIZENS.)

After August 1, 1987, no plan of reparation security issued to or renewed with a person who has attained the age of 65 years may provide coverage for wage loss reimbursement that the insured will not reasonably be expected to be able to receive. It is the responsibility of the person issuing or renewing the plan to inquire as to the applicability of this section. The rate for any plan for which coverage has been excluded or reduced pursuant to this section must be reduced accordingly. This section does apply to self-insurance.

Sec. 108. Minnesota Statutes 1986, section 65B.525,

subdivision 1, is amended to read:

Subdivision 1. The supreme court and the several courts of general trial jurisdiction of this state shall by rules of court or other constitutionally allowable device, provide for the mandatory submission to arbitration of all cases at issue where a the claim at the commencement of arbitration is in an amount of \$5,000 or less is made by a motor vehicle accident victim, whether in an action to recover economic loss or noneconomic detriment for the allegedly negligent operation, maintenance, or use of a motor vehicle within this state, or against any insured's reparation obligor for benefits as provided in sections 65B.41 to 65B.71 for no-fault benefits or comprehensive or collision damage coverage.

Sec. 109. Minnesota Statutes 1986, section 65B.63, subdivision 1, is amended to read:

Subdivision 1. Reparation obligors providing basic economic loss insurance in this state shall organize and maintain, subject to approval and regulation by the commissioner, an assigned claims bureau and an assigned claims plan, and adopt rules for their operation and for the assessment of costs on a fair and equitable basis consistent with sections 65B.41 to 65B.71. The assigned claims bureau shall be managed by a governing committee made up of four individuals selected by the insurer members, one individual selected by the self-insurer members, and two public members appointed by the governor to two-year terms. Public members may include licensed insurance agents. If such obligors do not organize and continuously maintain an assigned claims bureau and an assigned claims plan in a manner considered by the commissioner of commerce to be consistent with sections 65B.41 to 65B.71, the commissioner shall organize and maintain an assigned claims bureau and an assigned claims plan. Each reparation obligor providing basic economic loss insurance in this state shall participate in the assigned claims bureau and the assigned claims plan. Costs incurred shall be allocated fairly and equitably among the reparation obligors.

A ruling, action, or decision of the governing committee may be appealed to the commissioner within 30 days. A final action or order of the commissioner is subject to judicial review in the manner provided by chapter 14. In lieu of an appeal to the commissioner, judicial review of the governing committee's ruling, action, or decision may be sought.

Sec. 110. Minnesota Statutes 1986, section 67A.05, subdivision 2, is amended to read:

Subd. 2. [FILING OF BYLAWS AND AMENDMENTS THERETO.] Every township mutual fire insurance company doing business within this state shall ~~cause a copy of its bylaws to be certified to by its president and its secretary and file the same with the~~

~~commissioner and thereafter every amendment to the bylaws of any township mutual fire insurance company, duly certified to by its president and its secretary, shall within a reasonable time after its adoption be filed in the office of the commissioner~~ be subject to the requirements of section 72A.061, subdivision 2, as to amendments or additions to its bylaws.

Sec. 111. Minnesota Statutes 1986, section 67A.06, is amended to read:

67A.06 [POWERS OF CORPORATION.]

Every corporation formed under the provisions of sections 67A.01 to 67A.26, shall have power:

(1) To have succession by its corporate name for the time stated in its certificate of incorporation;

(2) To sue and be sued in any court;

(3) To have and use a common seal and alter the same at pleasure;

(4) To acquire, by purchase or otherwise, and to hold, enjoy, improve, lease, encumber, and convey all real and personal property necessary for the purpose of its organization, subject to such limitations as may be imposed by law or by its articles of incorporation;

(5) To elect or appoint in such manner as it may determine all necessary or proper officers, agents, boards, and committees, fix their compensation, and define their powers and duties;

(6) To make and amend consistently with law bylaws providing for the management of its property and the regulation and government of its affairs;

(7) To wind up and liquidate its business in the manner provided by chapter 60B; and

(8) To indemnify certain persons against expenses and liabilities as provided in section ~~000.082~~ 300.083. In applying section ~~000.082~~ 300.083 for this purpose, the term "members" shall be substituted for the terms "shareholders" and "stockholders."

Sec. 112. Minnesota Statutes 1986, section 67A.231, is amended to read:

67A.231 [DEPOSIT OF FUNDS; INVESTMENT; LIMITATIONS.]

The directors of any township mutual insurance company may authorize the treasurer to invest any of its funds and

accumulations in:

(a) Bonds, notes, mortgages, or other obligations guaranteed by the full faith and credit of the United States of America and those for which the credit of the United States is pledged to pay principal, interest or dividends, including United States agency and instrumentality bonds, debentures, or obligations;

(b) Bonds, notes, evidence of indebtedness, or other public authority obligations guaranteed by this state;

(c) Bonds, notes, evidence of the indebtedness or other obligations guaranteed by the full faith and credit of any county, municipality, school district, or other duly authorized political subdivision of this state;

(d) Bonds or other interest bearing obligations, payable from revenues, provided that the bonds or other interest bearing obligations are at the time of purchase rated among the highest four quality categories used by a nationally recognized rating agency for rating the quality of similar bonds or other interest bearing obligations, and are not rated lower by any other such agency; or obligations of a United States agency or instrumentality that have been determined to be investment grade (as indicated by a "yes" rating) by the Securities Valuation Office of the National Association of Insurance Commissioners. This is not applicable to bonds or other interest bearing obligations in default as to principal;

(e) Investments in the obligations stated in paragraphs (a), (b), (c), and (d), may be made either directly or in the form of securities of, or other interests in, an investment company registered under the Federal Investment Company Act of 1940. Investment company shares authorized pursuant to this subdivision shall not exceed 20 percent of the company's surplus. These obligations must be carried at the lower of cost or market on the annual statement filed with the commissioner and adjusted to market on an annual basis;

~~(d)~~ (f) Loans upon improved and unencumbered real property in this state worth at least twice the amount loaned thereon, not including buildings, unless insured by property insurance policies payable to and held by the security holder;

~~(e)~~ (g) Real estate, including land, buildings and fixtures, located in this state and used primarily as home office space for the insurance company;

~~(f)~~ (h) Demand or time deposits or savings accounts in federally insured depositories located in this state to the extent that the deposit or investment is insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or the National Credit Union Administration;

tg) (i) Guarantee fund certificates of a mutual insurer which reinsures the business of the township mutual insurance company. The commissioner may by rule limit the amount of guarantee fund certificates which the township mutual insurance company may purchase and this limit may be a function of the size of the township mutual insurance company; and

(j) Up to \$1,500 in stock of an insurer which issues directors and officers liability insurance to township mutual insurance company directors and officers.

Sec. 113. Minnesota Statutes 1986, section 70A.06, is amended by adding a subdivision to read:

Subd. 1a. Whenever an insurer files a change in a rate that will result in a 25 percent or more increase in a 12-month period over existing rates, the commissioner may hold a hearing to determine if the change is excessive. The hearing must be conducted under chapter 14. The commissioner must give notice of intent to hold a hearing within 60 days of the filing of the change. It shall be the responsibility of the insurer to show the rate is not excessive. The rate is effective unless it is determined as a result of the hearing that the rate is excessive.

Sec. 114. Minnesota Statutes 1986, section 70A.08, subdivision 3, is amended to read:

Subd. 3. ~~Not to January 17, 1999,~~ The commissioner may restrict approval on claims-made policies to forms filed by a rate service organization which have been approved.

Sec. 120. Minnesota Statutes 1986, section 72A.31, subdivision 1, is amended to read:

Subdivision 1. No person, firm or corporation engaged in the business of financing the purchase of real or personal property or of lending money on the security of real or personal property or who acts as agent or broker for one who purchases real property and borrows money on the security thereof, and no trustee, director, officer, agent or other employee of any such person, firm, or corporation shall directly or indirectly:

(1) require, as a condition precedent to such purchase or financing the purchase of such property or to loaning money upon the security of a mortgage thereon, or as a condition prerequisite for the renewal or extension of any such loan or mortgage or for the performance of any other act in connection therewith, that the person, firm or corporation making such purchase or for whom such purchase is to be financed or to whom the money is to be loaned or for whom such extension, renewal or other act is to be granted or performed negotiate any policy of insurance or renewal thereof covering such property through a particular agent, or insurer, or

(2) refuse to accept any policy of insurance covering such property because it was not negotiated through or with any particular agent, or insurer, or

(3) refuse to accept any policy of insurance covering the property issued by an insurer that is a member insurer as defined by section 60C.03, subdivision 6, or

(4) require any policy of insurance covering the property to exceed the replacement cost of the buildings on the mortgaged premises.

This section shall not prevent the disapproval of the insurer or a policy of insurance by any such person, firm, corporation, trustee, director, officer, agent or employee where there are reasonable grounds for believing that the insurer is insolvent or that such insurance is unsatisfactory as to placement with an unauthorized insurer, the financial solvency of the insurer, adequacy of the coverage, adequacy of the insurer to assume the risk to be insured, the assessment features to which the policy is subject, or other grounds which are based on the nature of the coverage and which are not arbitrary, unreasonable or discriminatory, nor shall this section prevent a mortgage lender or mortgage servicer from requiring that a policy of insurance or renewal thereof be in conformance with standards of the federal national mortgage association or the federal home loan mortgage corporation, nor shall this section forbid the securing of insurance or a renewal thereof at the request of the borrower or because of the borrower's failure to furnish the necessary insurance or renewal thereof. For purposes of this section, "insurer" includes a township mutual fire insurance company operating under sections 67A.01 to 67A.26 and a farmers mutual fire insurance company operating under sections 67A.27 to 67A.39.

Upon notice of any such disapproval of or refusal to accept an insurer or a policy of insurance, the commissioner may order the approval of the insurer or the acceptance of the tendered policy of insurance, or both, if the commissioner determines such disapproval or refusal to accept is not in accordance with the foregoing requirements. Failure to comply with such an order of the commissioner of commerce shall be deemed a violation of this section.

Sec. 121. Minnesota Statutes 1986, section 169.045, subdivision 1, is amended to read:

Subdivision 1. [DESIGNATION OF ROADWAYS, PERMIT.] The governing body of any home rule charter or statutory city or town may by ordinance authorize the operation of motorized golf carts, or four-wheel all-terrain vehicles, on designated roadways or portions thereof under its jurisdiction. Authorization to operate a motorized golf cart or four-wheel all-terrain vehicle is by permit only. Permits are restricted

to-physically-handicapped-persons-defined-in-section-169.945,
subdivision-1. For purposes of this section, a four-wheel
all-terrain vehicle is a motorized flotation-tired vehicle with
four low-pressure tires that is limited in engine displacement
of less than 800 cubic centimeters and total dry weight less
than 600 pounds.

Sec. 122. Minnesota Statutes 1986, section 169.045, is
amended by adding a subdivision to read:

Subd. 8. [INSURANCE.] In the event persons operating a
motorized golf cart or four-wheel, all-terrain vehicle under
this section cannot obtain liability insurance in the private
market, that person may purchase automobile insurance, including
no-fault coverage, from the Minnesota Automobile Assigned Risk
Plan at a rate to be determined by the commissioner of commerce.